



State of California
Employment Training Panel

Training Proposal for:
Pacific Ethanol, Inc.

Agreement Number: ET09-0216

Panel Meeting of: **July 25, 2008**

ETP Regional Office: **Sacramento**

Analyst: J. Daunt

PROJECT PROFILE

Contract
Type: Priority/Retrainee

Industry
Sector(s): Manufacturing

Counties
Served: San Joaquin, Sacramento, Madera,
Fresno

Repeat
Contractor: ☐ Yes ☒ No

Union(s): ☐ Yes ☒ No

Priority
Industry: ☒ Yes ☐ No

No. Employees in CA: 151

No. Employees Worldwide: 240

Turnover Rate %	Manager/ Supervisor %
10%	15%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding
\$216,000	\$0	\$216,000

In-Kind Contribution
\$240,000

TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Average No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Priority/Retrainee	Manufacturing Skills, Commercial Skills, Computer Skills, Hazardous Materials Skills, Management Skills	150	24-200	0-40	\$1,440	\$14.50
				Weighted Avg: 80			

Minimum Wage by County: San Joaquin: \$12.85; Sacramento: \$13.58; Madera: \$12.85; Fresno: \$12.85.

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☐ Yes ☒ No

Although employer provides health benefits they are not being used to meet Post-Retention Wage; furthermore, the employer is already paying more than the ETP Minimum Wage.

Other Benefits: sick leave; holidays; paid vacation

Wage Range by Occupation	
Occupation Title	Wage Range
Technicians	
Operators	
Administrative Support Staff	
Production/Maintenance Staff	
Handlers	
Logistics/Scheduling Staff	
Supervisors	
Managers	

INTRODUCTION

In this proposal, Pacific Ethanol, Inc. (PEI) seeks funding for retraining as outlined below:

PEI is a manufacturer producing, marketing and distributing low-carbon ethanol in the Western United States, as well as byproducts used in the manufacture of feed. According to Pacific Ethanol's representatives, the company is constructing over 420 million gallons of capacity by 2010 in strategic locations across the West to meet demand for low-carbon ethanol.

Representatives state that construction is underway for PEI's 60-million-gallon-per-year plant in Stockton. Located at the Port of Stockton, the facility is scheduled to be operational in the third quarter of 2008. The company's Madera facility has been operating since October, 2006, and

has the capacity to produce 40 million gallons of ethanol annually. PEI has corporate offices located in Sacramento and Fresno. Training will include employees at all four of these locations.

The company also has plants in Oregon and Idaho and 42% ownership of the Front Range Energy facility in Windsor, Colorado.

Besides low-carbon ethanol, PEI also produces grain products for consumption by livestock. Representatives state that in the ethanol production process, after a grain's starch is converted to ethanol through fermentation, the remaining nutrients, including proteins, fats, fiber, minerals and vitamins, are concentrated into wet distillers grain (WDG) a medium-protein feed for dairy cattle, beef cattle, poultry, and swine. Representatives add that WDG's high energy content and digestibility yield greater milk production and better feed conversions than other feeds.

Company representatives note that there are more than enough cattle within a 50-mile radius of PEI's two plants to consume all the WDG they produce. Thus, the state's beef producers pay less in transportation costs than they would for the importation of dry feed from the Midwest, especially in light of gasoline prices. Furthermore, less product transport means there are significantly fewer harmful atmospheric emissions overall.

PEI is eligible for standard retraining funding and priority industry reimbursement under Title 22, California Code of Regulations (CCR), Section 4416(i)(1), as a manufacturer identified under the North American Industrial Classification System.

Need for Training: According to company representatives, the ethanol industry is moving away from sugar/starch-based products toward a new process known as cellulose ethanol. In this process, a wider variety of raw materials can be utilized, including wood chips, switch grass, bark, algae, municipal sewage, and other byproducts. New equipment and training will be needed as the transformation continues.

PEI has been growing at a rapid rate, from a start-up company to a multi-state concern with over 200 employees in a relatively short period of time. Because of this growth and because of the increasing demand for the PEI products has moved beyond its capacity, the company has constructed a new production facility in Stockton that will come on line in mid-2008.

Besides the building of new production facilities, PEI may purchase existing facilities and/or the companies that own such facilities, according to the representatives. Whether building from scratch or acquiring existing capacity, the company's workforce population will increase and will require training as a result.

These changes are fueled by the heightened and increasing demand for alternatives such as ethanol. The accelerating growth has led to strains that PEI is addressing through the pursuit of greater efficiencies in its processes. These transitions require training, both at the new Stockton plant and at the company's more established facilities.

PROJECT DETAILS

PEI is proposing to train 150 full-time workers in a menu curriculum that consists of Computer Skills, Hazardous Materials Handling Skills, Commercial Skills, Manufacturing Skills, and Management Skills.

Computer Skills This portion of the curriculum includes training in the use of Navision, which company representatives state is an enterprise resource planning system designed to keep track of sales, purchases, etc. Representatives state that this training will facilitate adaptation to planned modifications during the next two-year period. Employees working at the headquarters locations (Sacramento and Fresno), such as administrative support staff, logistics/scheduling staff, supervisors and managers, will receive this training.

Management Skills This training will be provided to supervisors and managers and will include instruction in motivating, coaching, goal-setting, performance appraisals, employee relations procedures, and related skills. The training is designed to assist the company in managing and promoting the talent that exists among current employees.

Commercial Skills Technicians, operators, production/maintenance staff, handlers, logistics/scheduling staff, supervisors and managers will be provided various levels of training in topics directly related to PEI's manufacturing functions, while not *per se* manufacturing. Training encompasses the proper operation and care of machines essential to logistical functions, such as loaders, aerial lifts, and forklifts.

Hazardous Materials Skills (HAZMAT) For a portion of the production/maintenance staff, handlers, operators, technicians, supervisors, and managers, training will be provided in general materials handling, chemical processes and removal, contaminate removal, cleaning techniques, decontamination procedures and related hazardous materials handling skills required for the production of low-carbon ethanol and livestock feed.

Manufacturing Skills Technicians, operators, production/maintenance staff, handlers, logistics/scheduling staff, supervisors, and managers will be provided various levels of training in manufacturing processes, guided by both the need to increase efficiencies in current operations and the direction that PEI will take as the company pursues newer possibilities opened by cellulose ethanol processes.

Representatives state that the precise focus of training that addresses future cellulose ethanol requirements will be based on executive decisions by senior management, after being briefed by experts in the field, and from academia. Training will then be rolled out to frontline production staff. It will, at that point, be determined whether the option will be exercised of delivering up to 10% of the class/lab hours as production laboratory.

Commitment to Training

PEI represents that ETP funds will not displace the existing financial commitment to training. Indeed, PEI anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area.

PEI represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

Company representatives state that ETP funding will not displace PEI's resources for training. They add that, although significant funds have been spent on training, the company does not at this time list training costs as a separate line item on its budget. In addition, there are no meaningful historical training expense figures available at this time.

According to the representatives, current training efforts consist of new-hire orientation and general safety topics, as well as informal training sessions that are scheduled on an ad-hoc

basis. The proposed curriculum differs in that it does not include these types of training and consolidates the company's training into a coherent program.

The representatives state that ETP's support of the company's training will allow PEI to stay ahead of changes in the ethanol industry. They add that funding support will allow PEI to implement ethanol production improvement experimentation, involving new technologies and requiring further training for workers, on a schedule extending beyond the term of the ETP Agreement.

High Unemployment Area

PEI trainees at the company's facilities in Stockton, Madera, and Fresno work in High Unemployment Areas of California, regions with unemployment exceeding the state average by at least 25%, based on rates calculated by the Labor Market Information Division of the Employment Development Department. (Title 22, CCR, Section 4429(b).) The company is not requesting a waiver, because wages are sufficiently high; however, PEI wishes to make the Panel aware that the company's growth has led to the addition of high-wage, high- skilled jobs in high unemployment areas of the state.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

N/A

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum

Class Lab Hours
24-200

Trainees will receive any of the following:

MANUFACTURING SKILLS

Production Techniques
Distilling Processes and Lines
Fermenting Processes and Lines
Chemicals and Additives
Machine Guarding
Cellulose Ethanol

COMMERCIAL SKILLS

Forklift
Rough Terrain Forklift
Loader
Skid Steer Loader
Aerial Lift

COMPUTER SKILLS

Navision ERP
Software Upgrade Modifications
Networking Applications
Network Upgrade Modifications
Advanced System Networking
Software Integration
Maintenance/Security

***HAZARDOUS MATERIALS**

General Awareness
Tank Car Loading and Unloading
Incident Command System
Grain Handling
Hazard Communication
Flammable Liquids
Fire Response
HAZMAT Shipping Papers/Documentation
Blood Borne Pathogens

MANAGEMENT SKILLS (For Managers and Supervisors only)

Conducting Effective Interviews
Conducting Effective Performance Appraisals
Employee Relations
Coaching and Motivation Techniques
Setting Goals

*No state or federally required safety training will be funded by ETP. In addition, safety training will be limited to 10% of the overall training hours.